Summary of Major Living Wage Studies Through 2002

Studies Done After Ordinances Passed

Baltimore's Living Wage Law: An Analysis of the Fiscal and Economic Costs of Baltimore City Ordinance 442 -- October, 1996 (Preamble Center for Public Policy), Available at www.epi.net

In October 1996, the Preamble Center for Public Policy, a Washington-based independent research and education organization, conducted a study on the effect of Baltimore's living wage ordinance. The 1994 ordinance mandated a minimum hourly wage of $6.10 for anyone working on a city service contract, with an increase to $6.60 on July 1, 1996. The study found that:

- The real cost of city contracts actually decreased since the ordinance went into effect.
- Business investment in the city increased substantially in the year following the ordinance.
- Companies interviewed that held contracts before and after passage of the ordinance did not report reducing staff levels in response to the higher wage requirement. Some contractors praised the ordinance for "leveling the playing field" by relieving pressure on employers to squeeze labor costs in order to win low-bid contracts.
- The cost to taxpayers of compliance with the ordinance has been minimal, with the City allocating about 17 cents per person annually for this purpose.

The Effects of the Living Wage in Baltimore -- February, 1999
(Economic Policy Institute), Available at www.epi.net

This study, commissioned by the Economic Policy Institute in Washington, D.C. and carried out by researchers at The Johns Hopkins University, updates and largely confirms the earlier findings of the Preamble study (above). Benefitting from an additional year of data since the 1996 study, the study examines the impact of the 1994 living wage ordinance on the City budget, comparing contract data from before the ordinance was passed to data from living wage-covered contracts as of August 1997. In addition, using payroll data and interviews, the new study surveys the impact on workers covered by the ordinance.
In short, the researchers conclude that the living wage ordinance has had direct positive impact on a relatively modest number of workers in Baltimore without significant financial cost to the city. The study's findings also suggest that the City may be failing to sufficiently implement the ordinance:

- For contracts that could be directly compared before and after the law went into effect, the real aggregate cost to the city for these contracts actually declined slightly, when adjusted for inflation, despite the increase in wage rates.
- Cost changes varied considerably by contract type, with the largest percentage increase in the labor-intensive janitorial sector. However, other contracts with concentrations of low wage workers (i.e. bus aides) did not produce proportional contract cost increases.
- The number of workers directly affected by the ordinance is estimated to be around 1,500. Since some part time workers "share" living wage jobs, the number could be substantially higher.
- Payroll evidence suggests that higher wages and hours improve the stability of the work-force.
- While praising the ordinance highly, the majority of living wage workers interviewed work only part time and report a need for full time work to raise themselves above poverty. Workers indicate a greatly enhanced sense of recognition for work, which may in turn be linked to increased job commitment, reduced turnover, and increased productivity.

Living Wage Six-Month Evaluation Report -- May 6, 1999 (Office of Equality Assurance, City of San Jose), To obtain a copy contact at 408-277-4025

City Staff was instructed to return to Council six months after the policy's adoption and every year from then on to report on work-force impact, cost, special populations impact, compliance, enforcement, etc. The evaluation summarized below covers the period from November 17, 1998 to March 31, 1999.

- Five living wage contracts were awarded totaling $437,018
- 55 people are working on those five contracts
- 15% received health benefits
- 28% received wage increases
- No small businesses have been adversely affected by the policy's requirements
- There is no evidence that contractors are unwilling to make bids as a result of the policy

Impact of Detroit's Living Wage Law on Non-Profit Organizations -- June 2, 2000 (David Reynolds, Wayne State University, Labor Studies Center) Available at: www.laborstudies.wayne.edu

This study is based on a telephone survey of 64 (out of 96) non-profit organizations covered by the Detroit ordinance, along with more in-depth interviews of the fifteen non-profits that cited the most serious negative effects. The aim was to discover whether the living wage causes serious harm to non-profits, and also to find which policies best represent the needs of both employers and employees.

- A non-profit's experience under the living wage is not correlated to it's size budget, type of work, or employment levels
- Non-profit compliance is above 80%
- 71% of non-profit staff either actively support or are neutral toward the living wage
- 1,739 workers are covered, with wage gains from 10-74%
- Three out of four non-profits had little difficulty in implementing the law. For those that did, the financial difficulty was not large relative to the funds received through the city. However, the restrictions on money allocation unique to some non-profits prevented them from easily shifting funds for wages. The city could provide the funds necessary to cover the wage increase for these firms for an amount that is less than one percent of the total funds currently allocated to the affected non-profit firms.

A Step in the Right Direction An Analysis of Forecasted Costs and Benefits of the Chicago Living Wage Ordinance – July 2002

A Forecast Assessment Performed for the Chicago Jobs and Living Wage Campaign
(Ron Baiman, Joseph Persky, Nicholas Brunick - Center for Urban Economic Development)
Available at: www. acorn.org/acorn10/livingwage/reports2002/stepintherightdirection.pdf

The study concluded that the ordinance that passed provided significant benefits to many low-wage workers without substantially increasing costs to the city or to employers, or causing significant job loss.

- Since its passage, workers that were directly covered, and many other indirectly affected low-wage workers, received substantial pay increases as a result of the ordinance.
- There is no evidence that the city had to raise property taxes, or otherwise raise revenue, to pay for the current ordinance.
- There is no evidence that any jobs were lost as a result of the existing ordinance.

Their study also suggests that a more expansive living wage ordinance that included firms receiving subsidies from the city would provide substantially more economic welfare benefit for working poor families, without causing significant job loss, and at a similar modest cost to the city.

- Current research shows that more expansive living wage ordinances that cover firms receiving subsidies from the city provide substantially more economic welfare benefit for working poor families than narrow living wage ordinances that are restricted to city contractors.
- Methodologically and empirically sound estimates of the potential costs and job losses (or job gains) from this kind of *expanded* ordinance suggest that the job effect (in either direction) would be very small, and that the costs would be modest and could easily be covered by the city without additional tax increases.

Studies Done on the Estimated Impact of Living Wage Ordinances

Economic Analysis of the Los Angeles Living Wage Ordinance -- October 1996 (Robert Pollin and Stephanie Luce) Available in book -- The Living Wage: Building a Fair Economy (New Press: 1998)

This study was commissioned by the Los Angeles City Council in 1996 to estimate the impact of the proposed living wage ordinance. The subsequent book updates and expands the study, and reviews the economic impact research on minimum wage, prevailing wage and living wage. On March 18, 1997, the Los Angeles City Council overwhelmingly approved the living wage ordinance.

- The study reviews experiences with federal and state minimum wage laws as well as existing living wage and prevailing wage regulations, concluding that these measures did not result in either unemployment or significant cost to their respective cities. In fact, the study notes, prevailing wage laws have led to increased worker training and have helped turn the construction trades into a well-paid field.
- The study found that the proposed Los Angeles ordinance would not cause a net increase in the City budget, employment loss or loss of city services to the residents of Los Angeles.
- The ordinance would bring a 50.4% reduction in the amount of government subsidies received by affected workers and their families, as well as growth in spending, home ownership, and small business markets for areas of the city where affected workers are concentrated.
- The ordinance has the potential to encourage "high road" competition among businesses, characterized by decent wages, increased productivity, reduced turnover, and increased efficiency;
- The living wage would not increase unemployment among less-skilled workers
- The living wage ordinance does not place small business at any disadvantage;
- The ordinance will not discourage businesses from either locating in Los Angeles or doing business with the city itself.

Living Wage An Opportunity for San Jose -- August, 1998
(Working Partnerships)

This study was undertaken during the campaign to provide economic context for the debate around the enactment of a living wage for San Jose, California. The living wage ordinance passed in November 1998.

- At least 1200 employees would be impacted by a living wage of $12.50;
- Compliant firms should see increases in productivity and efficiency;
- Of the three major categories of affected businesses, the average increased labor costs ranged from just 4% to as low as 0.5% of the companies' total revenue -- so the firms would be able to absorb most of the costs themselves;
- Living Wage would result in substantial savings for taxpayers and positive community and family impacts

The Impact of a Living Wage Ordinance on Miami-Dade County -- October 22, 1998
(Bruce Nissen: Center for Labor Research and Studies, Florida International University) Available at: www.fiu.edu/~clrs/index/publications.html

This study was undertaken to estimate the impact of a proposed living wage ordinance for Miami-Dade County, FL. In May,1999, the Board of County Commissioners of Miami-Dade County voted unanimously to enact a living wage ordinance

- Costs to the county would total approximately $5 million over a three year period -- 0.1-0.2% of the county operating budget for the first year and .01-.02% of the budget for the second and third year of implementation;
- Costs to Miami-Dade citizens and taxpayers are extremely small because they already pay a substantial "hidden subsidy" to maintain the lives of low wage workers and their families through federal and state measures.

Living Wages and the San Francisco Economy- The Benefits and the Costs -- June, 1999
(Michael Reich et al, UC Berkeley), Available at: www.iir.berkeley.edu/livingwage/pdf/sf_jun99.pdf

This study was undertaken to estimate the impact of the proposed living wage ordinance in San Francisco. The ordinance would cover both for-profit and non-profit city service contractors and businesses who lease land from the city. The ordinance was approved on August 14, 2000.

- The ordinance would generate a modest transfer from the City Budget, city firms, and external sources, to the intended beneficiaries of the ordinance without posing harm to the overall economy or the city's finances;
- Considerable net benefit to the city economy is likely;
- The aggregate benefits outweigh the aggregate costs, even in the short-run.

Living Wages and the San Francisco Economy: The Benefits and the Costs – June 1999
(Michael Reich, Peter Hall, Fiona Hsu, Center on Pay and Inequality Institute of Industrial Relations University of California) Available at: www.iir.berkeley.edu/livingwage/pdf/sf_jun99.pdf

This report discusses the impact of the parts of the proposed living wage ordinance that cover the employees of city service contractors, both the for-profit firms and the nonprofit organizations, as well as the workers who are home health care aides. This report represents the first comprehensive attempt to determine the impact of the San Francisco Living Wage Ordinance on a sector-by-sector basis.

- It is clear that for a modest investment of the city's budget the proposed ordinance would meet its goals of raising living standards for the designated beneficiaries while improving the quality of city services for all. It would do so without harm and with probable benefit to the city's economy.
- The proposed ordinance would result in additional income for the city’s economy of about $20.8m per year (and therefore additional sales tax revenue).
- A Living Wage Ordinance would help combat the declining affordability of living and raising a family in the City.
- The ordinance would generate a modest transfer from the City Budget, city firms, and external sources, to the intended beneficiaries of the ordinance without posing harm to the overall economy or the city’s finances. Indeed, considerable net benefit to the city economy is likely.
- They conclude that the proposed ordinance would achieve its stated objectives of lifting the targeted workers to self-sufficiency and improving the quality of city services.
- The aggregate benefits outweigh the aggregate costs, even in the short-run. The long-run net benefit would be greater, as the productivity and quality effects emerge.

Living Wages at the Airport and Port of San Francisco- The Benefits and the Costs -- October 6, 1999 (Michael Reich et al, UC Berkeley) Available at: www.iir.berkeley.edu/livingwage/pdf/sf_oct99.pdf

This study was undertaken to estimate the impact of a living wage ordinance at the Port of San Francisco, including retail tenants and contractors of firms leasing city land at the airport.

- If every passenger flying out of Oakland airport paid just 59 cents more per ticket, and every visitor to the port paid $1.40, all workers at the airport and 4,400 workers at the port could be assured of receiving a "living wage" and health insurance;
- The living wage will decrease turnover, increase productivity, and enhance security at the airport;
- The increased costs amount to $59 million -- 2.7% of current business costs;

The Impact of the Detroit Living Wage Ordinance -- September 21, 1999 (David Reynolds, Wayne State University, Labor Studies Center) Available at: www.laborstudies.wayne.edu

This study was undertaken to estimate the impact of the Detroit living wage ordinance that was approved by 80% of Detroit voters in November 1999.

- The maximum possible cost to city contractors would be $6.9 million dollars in the aggregate -- 2.5% of the overall funds allocated for contracts;
- Even in a worst case scenario (where the ordinance only raises costs) the costs to the city would represent less than 0.3% of the city's annual budget;
- For all employers covered under the ordinance, costs of compliance would represent less than 10% of the total value of the contract. Over half of the covered contractors would experience cost increases that represented 1% or less of the value of the contract;
- The average costs to for-profit employers would be less than 1% of the firm's operating budget;
- If the city decided to cover the costs to the non-profits, the total costs represent less than 0.2% of the $2.5 billion spent annually by the city.

Living Wages at the Port of Oakland -- December, 1999 (Carol Zabin et al, UC Berkeley)
Available at: www.iir.berkeley.edu/livingwage/pdf/portoak.pdf

This study was undertaken to estimate the impact of a living wage ordinance at the Port of Oakland, including retail tenants and contractors of firms leasing city land at the airport. In March of 2002, Oakland voters overwhelmingly (78%) approved an initiative that extends the City of Oakland's Living Wage law to 1,500 low wage workers at Oakland's Airport and Seaport.

- The ordinance would directly benefit about 2,600 low-paid workers at the Port of Oakland and another 500 would benefit indirectly from a "wage push" effect;
- The ordinance would likely lower turnover costs and raise productivity among workers;
- The ordinance would result in savings in county health expenditures for the uninsured and increased revenues from income and payroll taxes;
- For the airport, this cost amounts to $0.59 per passenger;
- The costs of the proposed ordinance are about $13 million and comprise only about 1 percent of revenues from the Port leaseholders' business.

Economic Analysis of the New Orleans Minimum Wage Proposal - July, 1999 (Robert Pollin, Stephanie Luce, Mark Brenner, Univeristy of Massachusetts - Amherst)
Available at: www.umass.edu/peri/research.html

In preparation for expert testimony in a then-pending court case, economist Robert Pollin of University of Massachusetts - Amherst headed a team of researchers to conduct an unprecedented study on the potential impact of a proposal to raise the minimum wage in the city of New Orleans to one dollar above the federal minimum wage level (effectively $6.15 an hour). The research included an extensive survey of businesses in New Orleans, comprising almost a quarter of the employment of the entire New Orleans workforce. In February of 2002, the voters of New Orleans approved the first-ever citywide minimum wage increase.
Costs:

- For the city's 12,682 firms, the costs of these raises would amount to an average of less than 1% of their operating budget (.9%). Many firms already pay a living wage and would not experience any direct cost increases as a result of this law.
- Industries accounting for 86% of production and 79% of employment in New Orleans would face cost increases of less than one percent due to the minimum wage increase.
- Because the increased costs per firm are low, the overwhelming majority of firms will not lay off workers or relocate outside of New Orleans.

Benefits:

- The policy will bring significant, if modest, gains to low-wage working people and their families.
- Low-wage workers will benefit through the dignity of earning a higher share of their livelihood and thus becoming less

dependent on government subsidies.

- Reliance on Food Stamps and Earned Income Tax Credit will fall as actual earned income of low-wage workers and their families rises. These gains will be on the order of $15-20 million dollars to the federal government -- roughly what it spends annually on the Head Start program in Orleans Parish.
- Even these modest gains are important to the City of New Orleans, given that as much as 40% of its population is poor (earning less than 150% of the poverty line).
- It is estimated that 47,000 workers would receive the mandated wage increase. The average yearly increase among these workers would be $1,003. An additional 27,000 could receive raises through a so-called "ripple effect" among workers who are in roughly the same pay range as minimum wage workers.
- The policy will benefit the retail stores operating in the city's low-income neighborhoods, as residents of these neighborhoods, with higher incomes, will increase local spending that should amount to roughly a 2.7% increase in an average low-income neighborhood.

Intended vs. Unintended Consequences: Evaluating the New Orleans Living Wage Proposal – January, 2001
(Robert Pollin, Mark Brenner, Stephanie Luce - Political Economy Research Institute)
Available at: www.epinet.org/Issueguides/livingwage/luce_neworleans.pdf

- The study suggests that the New Orleans firms should be able to absorb most, if not all, the increased costs of the proposed living wage ordinance through some combination of price and productivity increases or redistribution within the firm.
- Living wage cost increases will amount to about 0.9 percent of operating budgets for average firms in New Orleans, and no more than 2.2 percent of operating budgets for the city's restaurant industry, which is the industry with the highest average cost increase.
- The incentive for covered firms to lay off low-wage employees or relocate outside the New Orleans city limits should be correspondingly weak. It is likely, however, that some displacement of the least well-credentialed workers will occur as a result of the ordinance, though again, this effect should also be relatively modest.
- A relatively small number of New Orleans firms will likely relocate, generating a loss of municipal tax revenues on the order of 0.5 percent of the City's budget.
- The process through which New Orleans firms adjust to the living wage ordinance is likely to be relatively mild, as the overall $71 million burden in increased wages and payroll taxes will be broadly diffused among the city's 12,700 firms as well as the city government.

The New York City Living Wage Law – September 2002
(Brennan Center for Justice Fiscal Policy Institute)
Available at: www.brennancenter.org

In March of 2002, a living wage bill was introduced before the New York City Council. The purpose of this policy brief is to describe how the bill works and to analyze how it will affect the city, the business community, and working families. On November 27, Mayor Bloomberg signed into law the living wage ordinance covering more workers than any other such law in the country.

- In the first year alone, the city will receive an estimated $45 million in new state and federal funds to help pay for the living wage law.
- The other major provision of the bill (covering businesses receiving large economic development subsidies from the city) involves no direct cost to the city at all.
- Because the proposed bill is carefully targeted, it will result in very little cost for the employers covered by it. This means that there is no reason to expect job losses or business flight from the city.
- For the majority of jobs affected by the living wage law, the cost to employers is zero.
- For a much smaller number of workers, employers will indeed be paying the higher wage and benefits out of their own pockets. Based on a close analysis of such firms, the study estimates that complying with the living wage law will cost no more than 0.3% of annual revenue for a typical firm.
- Only in a very small number of cases – roughly 730 or 1.2% of the 62,000 workers covered by the law – is there a potential risk that the higher wages might have a net negative impact on family income because of reduced eligibility for benefits previously received.

General Studies

Living Wage Campaigns in the Economic Policy Arena: Four Case Studies from California – 1999
(Carol Zabin and Isaac Martin,Center for Labor Research and Education, Institute of Industrial Relations, UC Berkeley)
Available at: www.iir.berkeley.edu/clre/programs/laborresearch/livwage.pdf

This paper examines two major elements of the living wage movement:

- The effectiveness of the living wage movement as an economic strategy to reverse the growing polarization of wages and income in the United States.
- The effectiveness of the living wage movement as a political strategy to galvanize community and labor organizations into durable coalitions that can reshape urban politics.

Higher Wages Lead to More Efficient Service Provision – 2000
The impact of living wage ordinances on the public contracting process
(Jared Bernstein , Economic Policy Institute)
Available at: http://www.epinet.org/Issueguides/livingwage/alexlivwg.html

The purpose of this document is to explore questions of competitiveness engendered by recent living wage ordinances. The central focus is whether and to what extent the introduction of a living wage ordinance in a locality would be expected to either reduce the competitiveness of the contracting process or introduce economic distortions into the local economy. Both the theory and the evidence point to the following conclusions:

- Any regulation that affects all firms puts no one firm at a competitive disadvantage.
- For most firms, the increase in labor costs is expected to be less than 2% of total production costs.
- The most likely explanations for these results are 1) like living wage ordinances, existing wage policies tend to affect a small share of the workforce, and 2) firms tend to absorb the higher costs through efficiency gains.
- Such efficiency gains are realized through lower turnover, vacancy, and accident rates, and improvement in the quality of the low-wage workforce, all of which lead to higher quality provision of goods and services.

Living Wages & Communities: Lower Than Expected Costs, Smarter Economic Development – Release is pending
(Andrew J. Elmore, Brennan Center for Justice)

This is the first study that, by compiling the actual experiences and internal reports by local governments, assesses the budgetary and economic development impacts of living wage ordinances across the country. The nineteen cities and counties reviewed in this report have each performed internal evaluations of the effects of their ordinances and those results are compiled and analyzed.

- For ordinances that have raised the wages of companies contracting with local government, the budgetary impact has been minimal and less than expected.
- Only a limited number of workers were generally affected compared to the overall contracted workforce and the direct workforce employed by local governments.
- Where human services contracts were covered, cities saw a slightly higher increase in costs, but usually less than initially projected.
- Contracting employers have often absorbed the increased labor costs without demanding increased funds from cities.
- Living wage requirements encouraged a number of local governments to institute competitive bidding for contracts that had not been put out for bid for many years.
- For ordinances that raised wages for companies receiving tax abatements or other economic development funds, there was little reported interference in attracting the desired business development.
- Many economic development programs already emphasize attracting higher_wage jobs, so such ordinances just codified and reinforced existing practice.
- Where lower_wage employers like retailers were targeted, most of the cities reported that the ordinances did not interfere with their efforts or encouraged greater focus on attracting higher_wage jobs.
- In some cases, the ordinance actually helped improve economic development, since it increased political support for such programs by assuring potential opponents that decent wage jobs would be the result.